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KUDLOW: With us now is the newly elected chairman of the House Republican Conference, that makes him the number three man in the leadership, Congressman Mike Pence from Indiana. Mike Pence, welcome back.

PENCE: Hey Larry, great to be here.

KUDLOW: Mike, will you vote for this bailout?

PENCE: I won't vote for the bailout that's been talked about coming to the House floor tomorrow or in the Senate. The American people know we can't borrow and spend and bail our way back to a healthy automotive economy, but Republicans are working—even as we speak right now Larry—in the House, to build a substantive alternative that incorporates a lot of Senator Corker's ideas.

We really believe that most Americans know: we can't ask these car companies to do a bankruptcy because that would threaten them from a marketing standpoint, most Americans don't want to do a bailout, so Republicans are actually building a third alternative built on some of those Corker principles.

Number one, we think that a pre-baked, pre-prepared bankruptcy, you could call it a reorganization, sanctioned by the federal government would be a viable way of giving these companies the legal room to reorganize their business plan, which you know Larry they've got to do. Secondly, on the financing side, we think one of the ways you bring private investment back into the equation for the Big Three would be to provide an FDIC-style insurance backstop that would say anyone willing to come in like debtor-in-possession financing and invest in these companies in a pre-baked reorganization plan would have a backstop of potentially up to 50% of their losses in the case of default.

We think looking to the private sector, using the American taxpayer as a backstop rather than a handout and bringing all these parties into a federally sanctioned reorganization is the right way to go, and we're building that alternative.

KUDLOW: Would that be, Mr. Pence—would that pre-packaged bailout—are you talking about going into Chapter 11 in the courts or are you talking about a sort of—what I sometimes describe as—"bailout light," meaning you'll have this federal overseer, the so-called "car czar," with some federal money? Which one actually are you talking about?

PENCE: Well, a lot of us really don't like the "car czar" idea—here is one more bureaucrat in Washington, DC, making decisions about a marketplace—what we are talking about is literally extending the jurisdiction of those federal courts—and Chapter 11 bankruptcy would be the likes of which we are talking about—but make it clear to the American people this would be an extension specific to the Big Three, to allow those companies to come under the cloak of federal judicial law to reorganize their business plan; they can do it be pre-baked, they can put it

together in advance, and then entice private capital, not the taxpayer money. The American people, after last fall, Larry—the debates we had on this show—the American people know we can't borrow and spend and bail our way back to a healthy economy or back to a healthy automotive industry.

KUDLOW: By two to one they are against a "bailout nation." The polling data is absolutely clear, I agree with you sir. Let me ask you: are you and other Republicans concerned after 500,000 job loss reported on Friday—really 700,000 with prior revisions—that GM bankruptcy of sorts, a pre-packaged bankruptcy, could slip into liquidation and pile on two million more in job losses, and turn a recession into something a lot worse. Is that a factor in your thinking?

PENCE: Well, look I really believe—well certainly it is. We in Indiana, my home state, all over the country. We want to see a vibrant domestic automotive industry in this country. But I think we have got to put the interests of taxpayers first and automotive workers second. And also we've got to have more confidence in the inherent strength of these companies than some who are making the "gloom and doom" predictions suggest. If you let these companies come to the table, if you give them—under the color of the law—the ability to reorganize their business plan with equity holders and with labor and with dealerships and with management. I have no doubt in my mind, with an infusion of private capital, again backstopped by a federal insurance guarantee, that private capital will get these American auto makers back on their feet. Inaction is not an option, but Republicans are working late into the night, last night and tonight, to build that substantive alternative that doesn't look to the American taxpayer for one more bailout.

KUDLOW: Speaker Pelosi—sources tell me at least—is saying she wants a lot of Republicans, a big Republican vote, to back up this leadership bill. You're the number three man now in the Republican House Caucus. What have you got, 180 Republicans, 179. How many do you reckon would vote for this bailout?

PENCE: You know, to be honest with you, at the end of the day the second vote on that banking bailout I think we still held 110 Republicans. I think bailout fatigue across America and across Republicans in Congress has only grown since that time. I don't know what the number is. I know that an overwhelming majority of Republicans don't want to see us put the burden on our children and grandchildren for one more bailout, even for our own precious domestic automotive industry—

KUDLOW: —alright—

PENCE: —when we don't have to Larry, we really believe we can do this if we give them—under the color of the law—the ability to reorganize under a court-sanctioned, pre-packaged bankruptcy and make private capital a little more secure to flow back in; we can do this without burdening the taxpayer and adding to the national debt.

KUDLOW: Number three ranking House Republican Mike Pence of Indiana. Thank you, it's great to see you again.

PENCE: Thank you Larry.